

**RULES  
OF  
TENNESSEE BOARD OF OSTEOPATHIC EXAMINATION  
DIVISION OF HEALTH RELATED BOARDS**

**CHAPTER 1050-4-1  
GENERAL RULES GOVERNING OSTEOPATHIC MEDICAL PROFESSIONAL CORPORATIONS**

**TABLE OF CONTENTS**

1050-4-1-.01	Purpose	1050-4-1-.10	Ethical Prohibition on Physicians' Ownership of a Non-M.P.C.
1050-4-1-.02	Definitions	1050-4-1-.11	Corporate Name
1050-4-1-.03	Coverage and Scope of Act	1050-4-1-.12	Officers and Directors
1050-4-1-.04	Ownership of M.P.C. Shares	1050-4-1-.13	Requirements as to Form of Stock Certificate
1050-4-1-.05	Requirements as to Form of Corporate Charter	1050-4-1-.14	Offering of M.P.C. Shares Prohibited
1050-4-1-.06	Filing of Charter	1050-4-1-.15	Regulation of M.P.C. Shares by the Board
1050-4-1-.07	Corporate Practice Limitations	1050-4-1-.16	Filing of Annual Statement of Qualifications
1050-4-1-.08	Practice Beyond Scope of Charter	1050-4-1-.17	Termination of M.P.C. Status
1050-4-1-.09	Prohibition on Physician Combining with Other Professions		

**1050-4-1-.01 PURPOSE.**

- (1) These rules are adopted by the Tennessee Board of Osteopathic Examination ("Board") to implement the Tennessee Professional Corporation Act, T.C.A. §§48-101-601, et seq. (the "Act"). The Act, under certain circumstances, allows one or more physicians who are duly licensed by the Tennessee Board of Osteopathic Examination or the Tennessee Board of Medical Examiners to practice medicine in the State of Tennessee to incorporate and be shareholders in a medical professional corporation ("M.P.C.") located and doing business in the State of Tennessee.
- (2) The Act and these rules shall not be construed to allow the corporate structure to interfere with the independent professional judgment of a physician.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-601, et seq., and 63-9-101, et seq. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

**1050-4-1-.02 DEFINITIONS.** The following definitions shall apply to terms as they appear in these rules of the Tennessee Board of Osteopathic Examination, unless the context clearly requires otherwise.

- (1) Area of Practice - The various disciplines and specialties that are generally accepted by the medical community to comprise the practice of medicine. For purposes of this definition "area of practice" shall be construed to include those areas comprising the practice of medicine that are certified by a specialty society recognized by the American Osteopathic Association or the American Board of Medical Specialties. See also "Specialty".
- (2) Attorney General - The Office of the Attorney General for the State of Tennessee.
- (3) Board - The Tennessee Board of Osteopathic Examination. For purposes of these rules, all correspondence and notices required to be made by a person to the Board under these rules shall be made to the Tennessee Board of Osteopathic Examination, Attention: Professional Corporations Section, First Floor, Cordell Hull Building, 425 Fifth Avenue North, Nashville, Tennessee 37247-1010 or any other place as directed, from time to time, by the Board.
- (4) Code of Ethics - Wherever in these rules the term "code of ethics" is used, it refers to the code of ethics governing physician conduct adopted by the American Osteopathic Association.
- (5) Day - Any day, except Saturday, Sunday, or a legal holiday. For purposes of the definition of "day", "legal holiday" shall be construed to include New Year's Day, Birthday of Martin Luther King, Jr., Presidents'

(Rule 1050-4-1-.02, continued)

Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, Christmas Day, or any other day appointed as a legal holiday by the Governor of the State of Tennessee or the President of the United States. However, where the words "calendar day" are used, then "day" shall be construed to mean any day, including Saturday, Sunday, or a legal holiday.

- (6) Director - A member of the Board of Directors of an M.P.C.
- (7) Disqualified Person - Any person who is not a physician. A disqualified person, inter alia, shall not be a shareholder or director of an M.P.C.
- (8) Disqualifying Event - Any event set forth at T.C.A. §48-101-613(a)(1)-(4).
- (9) Judicial Dissolution - The type of corporate dissolution contemplated by the Act at T.C.A. §48-101-624.
- (10) Medical Professional Corporation or M.P.C. - A "for profit" corporation that is incorporated for the purpose of rendering a medical service or medical services and whose shareholders consist of a physician or physicians.
- (11) Medical Service - An activity that falls within the definition of the "practice of medicine" or the "practice of osteopathic medicine" as set forth in T.C.A. §§63-4-204(a)(1) and 63-9-106(a). See also "Professional Service".
- (12) Non-D.O. Professional/Non-M.D. Professional - Any person, except a physician, that may be a shareholder of a P.C. subject to the Act.
- (13) Person - A natural person, general partnership in which all partners are qualified persons, or an M.P.C.
- (14) Physician - A person holding a license in good standing to practice medicine issued by the Board of Medical Examiners or the Board of Osteopathic Examination. See also "Qualified Person".
- (15) Practice of Medicine - The "practice of medicine" or the "practice of osteopathic medicine" as set forth in T.C.A. §§63-6-204(a)(1) and 63-9-106(a). See also "Professional Service" or "Medical Service".
- (16) Principal - A person with an ownership interest, direct or indirect, of an M.P.C. or a P.C. For purposes of the definition of "principal", "principal" shall be construed to include, without limitation, any person who owns a share or shares in an M.P.C.
- (17) Professional - Any person, including a physician, that may be a shareholder of a P.C. subject to the Act.
- (18) Professional Corporation or P.C. - Any corporation, including an M.P.C. that is subject to the Act.
- (19) Professional Service - A medical or osteopathic service.
- (20) Qualified Person - A natural person who is a physician, a general partnership in which all partners are physicians, or an M.P.C. See "Person" or "Physician".
- (21) Reporting Officer - A person authorized by the Board of Directors of an M.P.C. to receive notices and communications with respect to the form and substance of the corporate charter and to supervise the incorporation and operation of the M.P.C. The Reporting Officer must be either the President or Secretary of the M.P.C.
- (22) Secretary of State - The Tennessee Secretary of State.
- (23) Shall or Must - Where these words are used, compliance is mandatory.

(Rule 1050-4-1-.02, continued)

- (24) Should or May - Where these words are used, it means a suggestion or a recommendation.
- (25) Specialty - Any discipline comprising the practice of medicine that requires certification by a specialty society recognized by the American Osteopathic Association or the American Board of Medical Specialties.
- (26) Termination - The act or decision to cease contracting with a physician provider.
- (27) Third Party Payor - Any entity, licensed, or regulated by the Tennessee Department of Commerce and Insurance, that issues plans or administers plans of health insurance for citizens within Tennessee.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-601, et seq., 63-9-101, and 63-9-106(a). **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.03 COVERAGE AND SCOPE OF ACT.**

- (1) The Act shall cover M.P.C.'s. These rules shall affect only M.P.C.'s and no other type of P.C.
- (2) The Act shall apply only to those M.P.C.'s in which each shareholder is a physician currently holding a license to practice medicine or osteopathy by the applicable Board. Consequently, the Act shall not apply to medical doctors or osteopathic physicians who, although licensed by a licensing authority of another jurisdiction, are not licensed by the Tennessee Board of Medical Examiners or the Tennessee Board of Osteopathic Examination.
- (3) The Tennessee Business Corporation Act, T.C.A. §48-11-101, et seq., and any rule promulgated thereunder, is hereby made a part of the Act except to the extent that the Tennessee Business Corporation Act is inconsistent with the Act.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-601, et seq., 48-11-101, et seq. and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.04 OWNERSHIP OF M.P.C. SHARES.**

- (1) Only physicians shall own shares of an M.P.C.
- (2) A physician shall be deemed a disqualified person upon the occurrence of any disqualifying event so long as disqualifying event lasts longer than 150 continuous calendar days.
- (3) Upon a physician becoming a disqualified person, the M.P.C. must acquire, or cause a qualified person to acquire, all of the shares that the physician at issue owns. With respect to the valuation and acquisition of shares under this rule, the process set forth in T.C.A. §§48-101-613, shall be used.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-610, 48-101-613, 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.05 REQUIREMENTS AS TO FORM OF CORPORATE CHARTER.**

- (1) With respect to the form of the corporate charter, it shall meet all requirements of the Tennessee Business Corporation Act as set forth in T.C.A. § 48-12-102.
- (2) The requirement to provide the information set forth in Paragraph (1) of this rule shall be a continuing one. In the event that there is a change with respect to any of the information submitted in the charter, the M.P.C. shall file an amendment to the charter with the Secretary of State which complies with the requirements of T.C.A. § 48-20-106. Failure to timely file the amendment may result in the commencement of the dissolution of the M.P.C.

(Rule 1050-4-1-.05, continued)

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-12-101, 48-12-102, 48-20-106, 48-101-629, 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997. Amendment filed April 10, 2000; effective June 24, 2000.

#### **1050-4-1-.06 FILING OF CHARTER.**

- (1) Charters of M.P.C.s under this Act need to be filed with the Board and the Secretary of State as required by the Tennessee Business Corporation Act.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-604(a), 48-101-610(b), and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.07 CORPORATE PRACTICE LIMITATIONS.**

- (1) Physician incorporators, shareholders, officers, or directors of an M.P.C., acting individually or on behalf of, or collectively as the M.P.C., shall exercise only such authority as an "employing entity" may exercise pursuant to T.C.A. §63-6-204 (d)(1)(A),(B) and (C) regarding diagnosis, treatment and/or referral decisions made by any physician employed by or contracting with or otherwise providing medical services within the scope of their practice within the M.P.C.
- (2) A physician shall not enter into an employment, compensation, or other contractual arrangement with an M.P.C. that may violate the code of ethics or which gives the M.P.C. more authority over the physician's diagnosis, treatment and/or referral decisions than an "employing entity" may exercise pursuant to T.C.A. §63-6-204 (d)(1)(A), (B) and (C) regarding those decisions.
- (3) Violation of this rule by any physician individually or collectively while acting as an M.P.C. may subject the physician(s) to disciplinary action pursuant to T.C.A. §§63-6-214 (b) (1), or 63-9-111 (b) (1).

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-610(b), 48-101-630, 63-6-204(d), 63-6-214(b), 63-9-111(b), and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.08 PRACTICE BEYOND SCOPE OF CHARTER.**

- (1) Engaging in, or allowing another physician incorporator, shareholder, officer, or director, while acting on behalf of the M.P.C., to engage in, medical practice in any area of practice or specialty beyond that which is specifically set forth in the charter may be a violation of the code of ethics and/or either T.C.A. §63-6-214 (b)(1) or 63-9-101 (b) (1).

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-610(b), 48-101-630, 63-6-204(d), 63-6-214(b), 63-9-111(b), and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.09 PROHIBITION ON PHYSICIAN COMBINING WITH OTHER PROFESSIONS.**

- (1) The combination of a physician and a non-physician professional within a P.C., as contemplated by T.C.A. §48-101-605(b), is specifically prohibited.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-605(b), 48-101-610(b), 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.10 ETHICAL PROHIBITION ON PHYSICIANS' OWNERSHIP OF A NON-M.P.C.**

- (1) It may constitute a violation of the code of ethics and T.C.A. §§63-6-214 (b)(1) or 63-9-111 (b)(1) for a physician to be a shareholder in any P.C. that is not an M.P.C. unless that physician has been licensed as a professional in the primary type of business to be conducted by the non-M.P.C.

(Rule 1050-4-1-.10, continued)

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-605(b), 48-101-610(b), 63-6-214(b), 63-9-111(b), and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.11 CORPORATE NAME.**

- (1) In addition to the requirements relating to the corporate name of an M.P.C. as set forth in T.C.A. §48-101-609, the designation "P.C.", "P.A.", "S.C.", or any other similar description must be used on all forms of communication including, without limitation, letterhead, business cards, any communications to patients or third party payors, or telephone directory materials.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-609, 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.12 OFFICERS AND DIRECTORS.**

- (1) With respect to officers of an M.P. C., all, except the following officers, must be physicians:
  - (a) secretary;
  - (b) assistant secretary;
  - (c) treasurer; and
  - (d) assistant treasurer.
- (2) With respect to members of the Board of Directors of an M.P.C., only physicians shall be directors of an M.P.C.,

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-618(b), 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.13 REQUIREMENTS AS TO FORM OF STOCK CERTIFICATE.**

- (1) Each share in an M.P.C. shall bear the designation required by T.C.A. §48-101-411(a).

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-611(a), 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.14 OFFERING OF M.P.C. SHARES PROHIBITED.**

- (1) A share in an M.P.C. shall not be offered for sale or purchase to a person who is not a physician.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-610(b), 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.15 REGULATION OF M.P.C. SHARES BY THE BOARD.**

- (1) Each M.P.C., and every shareholder, incorporator, officer, and director thereto, shall be subject to the regulation of the applicable Board with respect to the activities contemplated under the charter.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-610(b), 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

#### **1050-4-1-.16 FILING OF ANNUAL STATEMENT OF QUALIFICATIONS.**

(Rule 1050-4-1-.16, continued)

- (1) The M.P.C. shall file a verified Annual Statement of Qualifications with the Board.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-629, 48-101-630, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.

**1050-4-1.17 TERMINATION OF M.P.C. STATUS.**

- (1) Upon the consent of the number of shareholders specified in the charter or bylaws, the status of M.P.C. may be voluntarily terminated by giving prompt written notice to the Board and the Secretary of State of the appropriate charter amendment or restatement needed to terminate said M.P.C.
- (2) Upon the cessation of any qualified person owning shares in the P.C., the status of M.P.C. shall be terminated. The corporation may continue its corporate existence under the Tennessee Business Corporation Act if the charter is amended to remove references to the rendition of a medical service.

**Authority:** T.C.A. §§4-5-202, 4-5-204, 48-101-623, and 63-9-101. **Administrative History:** Original rule filed November 13, 1996; effective January 27, 1997.